DOCUMENT RESUME

ED 364 776 CE 065 426

| | |
|---|---|
| TITLE | Accounting Principles 30G. Interim Guide. |
| INSTITUTION | Manitoba Dept. of Education and Training, Winnipeg. |
| REPORT NO | ISBN-0-7711-1135-5 |
| PUB DATE | 93 |
| NOTE | 83p.; For a related guide, see CE 065 427. |
| PUB TYPE | Guides - Classroom Use - Teaching Guides (For Teacher) (052) |
| EDRS PRICE | MF01/PC04 Plus Postage. |
| DESCRIPTORS | *Accounting; Bookkeeping; *Business Education; Classroom Techniques; Course Content; Educational Resources; Employment Potential; Foreign Countries; High Schools; Job Skills; Learning Activities; Lesson Plans; Student Evaluation; Teaching Methods; Units of Study |
| IDENTIFIERS | Manitoba |

ABSTRACT

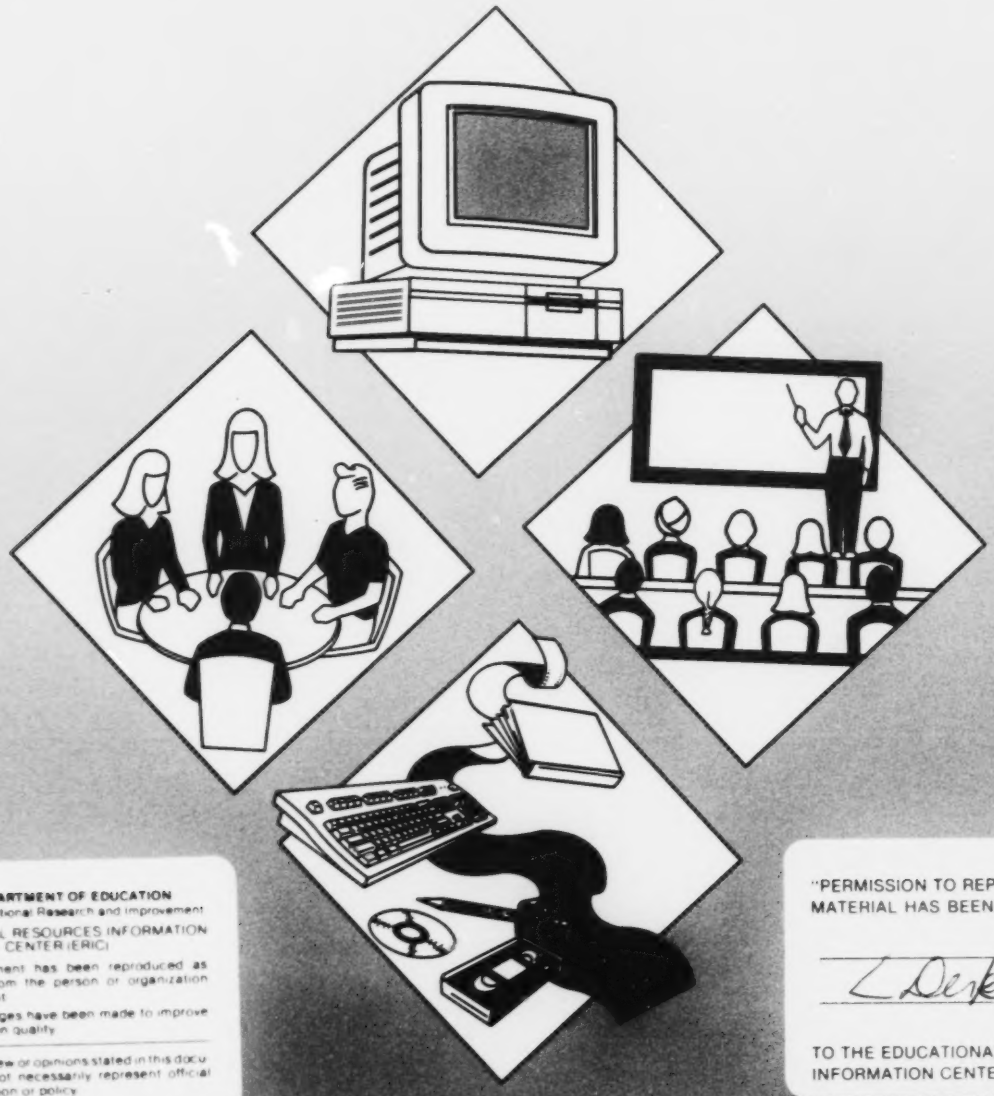
This curriculum guide was developed for a senior-level introductory accounting course for students in high schools in Manitoba. The course introduces Canadian accounting principles and practices; it applies Generally Accepted Accounting Principles (GAAP) to introductory financial accounting. The guide includes the following components: (1) an employability skills profile; (2) recommended program patterns for business education courses; (3) rationale for the program; (4) evaluation methods; (5) time allotments; (6) goals and objectives; and (7) five units of study. The units cover these topics: basic concepts, the cycle, controlling cash, merchandise accounting, and payroll. Units consist of a goal, objectives, and teaching methods keyed to the objectives. Two appendixes list Generally Accepted Accounting Principles and explain the Goods and Services Tax. A bibliography listing 18 texts and a source for materials completes the guide. (KC)

**********
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
**********

1993

# Accounting Principles 30G

ED 364 776



U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

L Derkach

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

## Interim Guide

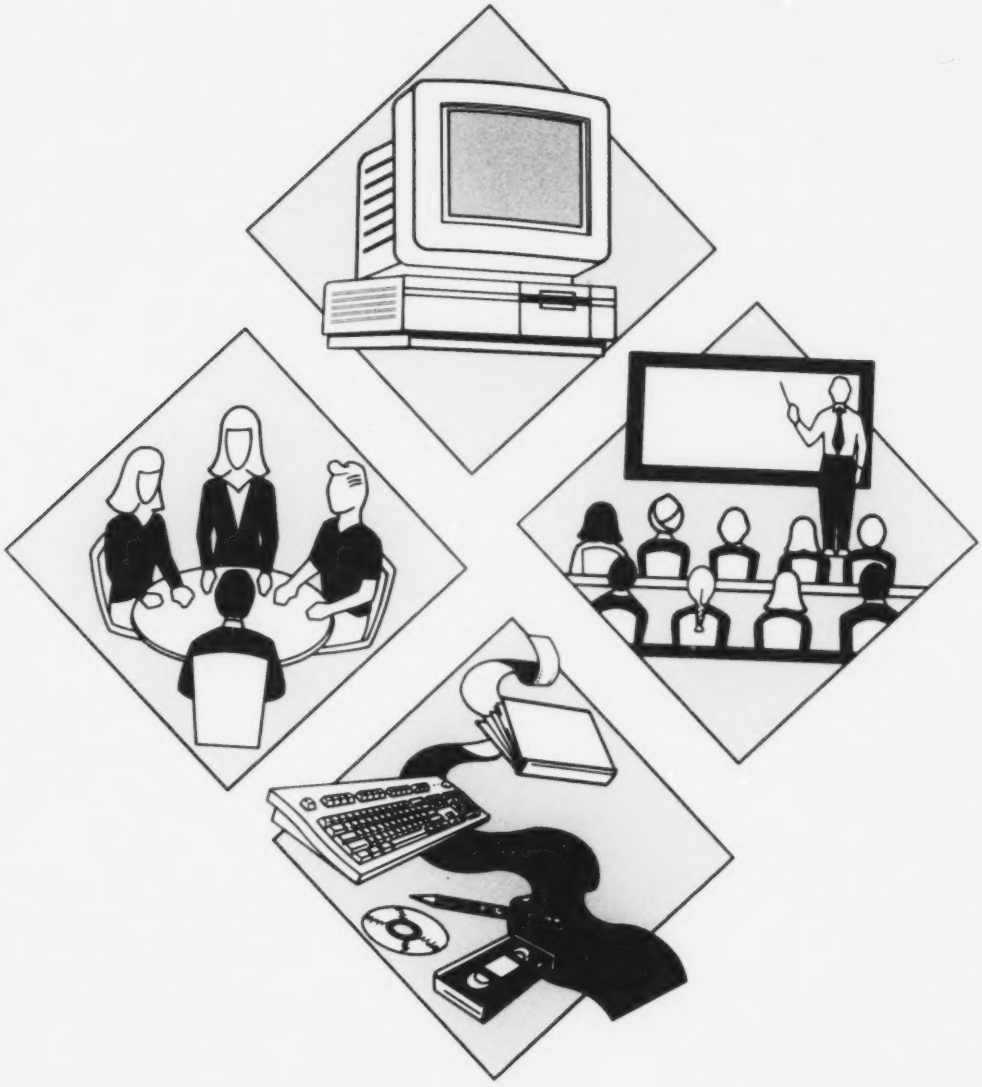
CE065426

Business Education and Training

BEST COPY AVAILABLE

1993

# Accounting Principles 30G



## Interim Guide

Manitoba
Education
and Training

ISBN 0-7711-1135-5

# ACCOUNTING PRINCIPLES 30G

This guide replaces, in part, the Accounting 202 and 302 guides of 1982, and becomes effective September, 1993. The contents have been developed as part of the review of the Business Education cluster of courses which are affected by computer technology.

## ACKNOWLEDGEMENTS

Members of the Business Education Steering Committee are

Gayle Halliwell (Chair)
Lord Selkirk School Division No. 11

John Proudfoot
St. James-Assiniboia School Division No. 2

Iris Overby
Interlake School Division No. 21

Lily Budzak
Winnipeg School Division No. 1

Bill Vandurme
St. Vital School Division No. 6

Ben Zajac
River East School Division No. 9

Roy Watt, Consultant
Goewan Personnel Services

Kathy Brough, Office Systems Manager
Manitoba Telephone System

Edith Lyon
Manitoba Business Education Teachers' Association

Ken Hardy
Red River Community College

Members of the Accounting Working Party are

Andre Favreau (Writer)
Fort Garry School Division No. 5

Dawn Hicks
St. James-Assiniboia School Division No. 2

Sharon Wilson
Seven Oaks School Division No. 10

Ken Hardy
Red River Community College

Tony Boron, CGA
Boeing Canada

Consultants to committees are

Marcel Daeninck (until 1992)
Business Education Consultant
Manitoba Education and Training

Tom Prins
Business Education Consultant
Manitoba Education and Training

H. Marshall Draper
Coordinator, Technology and Science
Manitoba Education and Training

# CONTENTS

**Employability Skills Profile 1**

**Recommended Program Patterns 2**

**Rationale 3**

**Evaluation 4**

**Time Allotments 5**

**Goals and Objectives 5**

**Accounting Principles 30G 13**

Basic Concepts 15
The Cycle 22
Controlling Cash 42
Merchandise Accounting 55
Payroll 65

**Accounting Appendix 71**

**Bibliography 75**

# EMPLOYABILITY SKILLS PROFILE: The Critical Skills Required of the Canadian Workforce

## Academic Skills

Those skills which provide the basic foundation to get, to keep, and to progress on a job and to achieve the best results.

Canadian employers need people who are able to

**Communicate**
- Understand and speak the languages in which business is conducted
- Listen to understand and learn
- Read, comprehend, and use written materials, including graphs, charts, and displays
- Write effectively in the languages in which business is conducted

**Think**
- Think critically and act logically to evaluate situations, solve problems, and make decisions
- Understand and solve problems involving mathematics and use the results
- Use technology, instruments, tools and information systems effectively
- Access and apply specialized knowledge from various fields, e.g., skilled trades, technology, physical sciences, arts and social sciences

**Learn**
- Continue to learn for life

## Personal Management Skills

The combination of skills, attitudes and behaviours required to get, to keep, and to progress on a job and to achieve the best results.

Canadian employers need people who demonstrate

**Positive Attitudes and Behaviours**
- Self-esteem and confidence
- Honesty, integrity, and personal ethics
- A positive attitude toward learning, growth, and personal health
- Initiative, energy, and persistence to get the job done

**Responsibility**
- Ability to set goals and priorities in work and personal life
- Ability to plan and manage time, money, and other resources to achieve goals
- Accountability for actions taken

**Adaptability**
- Positive attitudes toward change
- Recognition of and respect for people's diversity and individual differences
- The ability to identify and suggest new ideas to get the job done – creativity

## Teamwork Skills

Those skills needed to work with others on a job and to achieve the best results.

Canadian employers need people who are able to

**Work with Others**
- Understand and contribute to the organization's goals
- Understand and work within the culture of the group
- Plan and make decisions with others and support the outcomes
- Respect the thoughts and opinions of others in the group
- Exercise "give and take" to achieve group results
- Seek a team approach as appropriate
- Lead when appropriate, mobilizing the group for high performance

There is a growing concern that many young people do not see the direct relevance of what they are learning in school to their needs in later life. The Conference Board of Canada has identified the critical skills, qualities, and abilities that students will require to make a successful transition from school to work. These skills are developed through a variety of life experiences provided by parents, integrated educational approaches in schools, post-secondary institutions, actions that support skill development on the job, and formal and informal opportunities for updating skills throughout life.

# RECOMMENDED PROGRAM PATTERNS

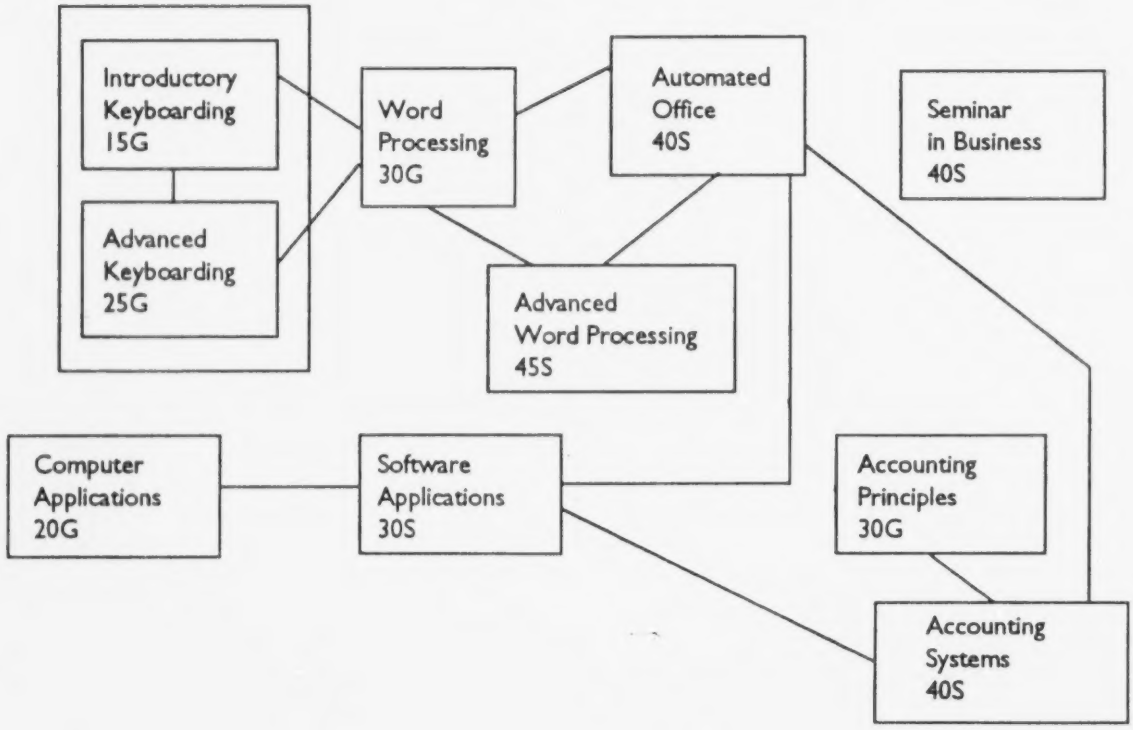
This flowchart is meant to provide schools with a recommended sequence of studies for the new Business Education courses. While the prerequisite to any course is at the discretion of the school, the skill development as shown in the flowchart is recommended. However, it is left to schools to schedule courses and to advise students based upon the educational readiness of individual students.

Exploration of Business 10G/15G*

General Business 20G/25G*
Retailing 20S

Business Principles 30G
Shorthand and Transcription 30S
Promotions 30S
Relations in Business 30S

Economics 40G
Law 40G
Shorthand and Transcription 40S
Management 40S
Marketing Practicum 40S




* Under development

## RATIONALE

**Accounting Principles 30G** introduces Canadian accounting principles and practices. It is designed as a full and autonomous course. Completion of **Accounting Principles 30G** is also recommended prior to study of **Accounting Systems 40S**. Throughout the course, **Generally Accepted Accounting Principles** (GAAP) are monitored and followed. The consistent application of GAAP gives owners, managers, investors, and analysts confidence that financial statements are prepared in accordance with a set of recognized standards.

**Accounting Principles 30G** is recommended for all students. On a personal level, knowledge of accounting is essential for banking, investing and saving, and for political and consumer decisions. Students considering entrepreneurial pursuits will benefit from this course. Business terms and practices are introduced as the accounting cycle is studied.

For those Senior Years students who plan post secondary studies, **Accounting Principles 30G** may be part of career exploration in such areas as professional accounting, management and business studies, statistics, and computers.

Many students will use accounting knowledge and skills in entry-level occupations in both small and large businesses. For those who become independent business owners and professional people, knowledge and experience with accounting principles and practices are essential. In **Accounting Principles 30G**, simple financial statements are prepared and analyzed in both a service and a merchandising business.

The course is designed as a study of GAAP as they apply in introductory financial accounting. The application of these principles and practices to computer accounting software is the main thrust of **Accounting Systems 40S**. Consequently, no computer application is recommended for **Accounting Principles 30G**.

**Accounting Principles 30G** serves as the introduction to **Accounting Systems 40S**. The Generally Accepted Accounting Principles introduced and applied are built upon in the second course. Mastery of all objectives of **Accounting Principles 30G** is recommended for success in all future accounting programs and courses.

## EVALUATION

**Accounting Principles 30G** is a study of GAAP as they apply to introductory accounting. Understanding and appreciation of GAAP, analyses of the effects of business decisions, the recording of transactions, and the preparation of reports and financial statements are all important facets of the course. Learning in each aspect should be evaluated.

Formative tests are to be held throughout the term in order to provide important feedback to both the students and teacher. These formative tests may be the basis for

- further instruction by the teacher
- additional study of concepts by students
- supplementary student practice in recording entries and preparation and analyses of reports and financial statements

It is recommended that tests be administered frequently. Students will appreciate the opportunity to discuss the dates of tests and the scheme for student evaluation near the beginning of the course.

Many teachers choose also to test knowledge of specific material on a unit-by-unit basis. Understanding and application of principles may then be evaluated with tests and assignments held less frequently at the end of large blocks of work.

**Guidelines for Evaluation**

| | |
|---|---|
| Unit 1 Basic Concepts | 10% |
| Unit 2 The Accounting Cycle | 40% |
| Unit 3 Controlling Cash | 10% |
| Unit 4 Merchandise Accounting | 30% |
| Unit 5 Payroll | 10% |
| | 100% |

## TIME ALLOTMENTS

**Accounting Principles 30G** is a **full-credit** course that has been developed by Manitoba Education and Training, for general purposes. It represents 110-120 hours of instruction.

The following guidelines for time allotments are recommended

| UNITS | HOURS |
|---|---|
| 1. Basic concepts | 10 |
| 2. The accounting cycle | 45 — 50 |
| 3. Controlling cash | 15 |
| 4. Merchandise accounting | 30 — 35 |
| 5. Payroll | 10 — 15 |
| | 110 — 120 |

## GOALS AND OBJECTIVES

- To introduce students to basic accounting principles
- To have students complete the accounting cycle
- To teach students the principles of cash receipts control
- To have students complete the accounting cycle of a merchandising business
- To have students record all the entries of payroll accounting

**Objectives**

UNIT 1: BASIC CONCEPTS

**Beginning the Accounting System**

Students should be able to

- explain the need for and the purpose of financial records and accounting systems
- describe and use the basic accounting principles of starting an accounting system

**Accounting Equation**

Students should be able to

- classify assets, liabilities, and owner's equity
- classify as an asset or a liability each item from a random list of assets and liabilities
- calculate the total assets and the total liabilities
- determine the owner's equity
- determine, when given two elements, the missing element in the fundamental accounting equation

**Financial Statements**

Students should be able to

- construct balance sheets for small businesses
- interpret and analyze simple balance sheets from given data and management cases
- identify, analyze and record increases and decreases in the fundamental elements (assets, liabilities, owner's equity, revenue and expenses) resulting from business transactions
- summarize the results of changes to the fundamental elements by preparing balance sheets and income statements

**General Ledger Accounts**

Students should be able to

- explain the need for and the purpose of ledger accounts
- explain the relationship of each ledger account to the accounting equation
- apply the principles of debit and credit to the balance sheet accounts
- use T-accounts to show increases and decreases in asset, liability and owner's equity accounts
- apply the principles of debit and credit to the income statement accounts
- use T-accounts to show increases and decreases in revenue and expense accounts

**Generally Accepted Accounting Principles**

Students should be able to

- define what is meant by GAAPs
- explain the revenue recognition GAAP

- explain the expense recognition GAAP
- explain the matching GAAP

UNIT 2: THE CYCLE

**Source Documents**

Students should be able to

- explain the importance of and the need for source documents
- identify source documents
- prepare source documents
- use calculators to check the mathematical accuracy of source documents
- analyze the debit and credit parts of business transactions from given source documents

**Journal Entries**

Students should be able to

- explain the need for and the importance of a journal
- record journal entries resulting from business transactions
- follow appropriate checking and correcting procedures for preparing accounting proofs to the journal

**Ledger**

Students should be able to

- explain the need for and the importance of the ledger
- prepare a chart of accounts
- state the purpose of each ledger account
- post journal entries into the appropriate ledger accounts with cross references for each entry
- follow appropriate checking and correcting procedures for preparing accounting proofs for a ledger account balance

**Trial Balance**

Students should be able to

- explain the need for and the importance of the trial balance
- prepare a trial balance

- follow appropriate procedures for locating and correcting errors in the trial balance
- classify the types of accounts in the trial balance and name the normal side of each account balance

**Worksheet**

Students should be able to

- explain the need for and the purposes of a worksheet
- prepare a six-column worksheet

**Financial Statements**

Students should be able to

- explain the need for and the purpose of an income statement and a balance sheet
- prepare income statements from information in six-column worksheets
- prepare balance sheets in account and report forms from information in six-column worksheets
- analyze the performance and financial position of businesses from income statements and balance sheets

**Closing Accounts**

Students should be able to

- explain the Cost GAAP
- explain and calculate what is meant as the cost of an asset
- explain the need for and the purpose of closing the ledger
- record closing entries in the journal
- prepare journal entries to close revenue accounts
- prepare journal entries to close expense accounts
- prepare journal entries to transfer net income or net loss to the capital account
- prepare a journal entry to transfer the drawing account to the capital account
- post closing entries to the ledger accounts
- prepare a post-closing trial balance

## UNIT 3: CONTROLLING CASH

### Cash Receipts

Students should be able to

- identify, explain and apply the accounting principles of cash receipts control, i.e., objectivity and revenue
- prepare daily cash proofs
- prepare a cash receipts journal (record from source documents, total and rule)
- post from the cash receipts journal

### Cash Payments

Students should be able to

- identify, explain and apply the accounting principles of cash disbursements (payments) control
- prepare daily proofs
- prepare a cash payments journal (record from source documents, total and rule
- post from the cash payments journal

### Petty Cash

Students should be able to

- explain the need for a petty cash fund and petty cash vouchers
- record the establishment of a petty cash fund
- record the entries needed to maintain a petty cash book
- record the entry needed to replenish the fund

### Bank Reconciliation

Students should be able to

- explain the purposes of a bank reconciliation
- identify the sources of information required for the preparation of a bank reconciliation
- prepare a bank reconciliation

**Cash Account and Cheque Book Adjustments**

Students should be able to

- explain the need for entries to adjust the cash account and the cheque stub balance
- record the entries to adjust the cash account
- adjust/correct the cheque stub balance

UNIT 4: MERCHANDISE ACCOUNTING

**Merchandising Business**

Students should be able to

- define merchandising business
- identify and explain how a merchandising business differs from a service business
- identify the special accounts for a merchandising business
- identify the special journals for a merchandising business

**Sales Journal**

Students should be able to

- identify the need for and the purpose of a sales journal
- record the sales of merchandise in the sales journal
- total and rule the sales journal

**Accounts Receivable Ledger**

Students should be able to

- identify the need for and the purpose of the accounts receivable ledger
- open an accounts receivable ledger
- post from the sales journal
- identify the need for credit memoranda
- record the sales returns and allowances
- post sales returns and allowances

**Purchases Journal**

Students should be able to

- identify the need for and the purpose of a purchases journal
- total and rule the purchases journal

Accounts Payable

Students should be able to

- identify the need for an accounts payable ledger
- open an accounts payable ledger
- post from the purchases journal
- record and post transportation-in costs
- identify the need for a debit memo
- record purchases returns and allowances
- post purchases returns and allowances

UNIT 5: PAYROLL

**Payroll Accounting**

Students should be able to

- explain the need for and the components of a payroll system
- compute gross earnings
- determine payroll deductions
- calculate net pay
- identify the need for and the purpose of the payroll register
- prepare a payroll register
- record the journal entries for the payroll information
- record the journal entries for the payment of the payroll to the employees
- record the journal entries for payments of amounts owed to other agencies

# ACCOUNTING PRINCIPLES 30G

UNIT 1: BASIC CONCEPTS

**GOAL:** To introduce students to basic accounting principles.

| OBJECTIVES | METHODS |
|---|---|
| 1.0 **Beginning the Accounting System**<br><br>Students should be able to | |
| 1.1 explain the need for and the purpose of financial records and accounting systems | Use the textbook as well as pertinent examples, e.g., family, school records, corporations, to illustrate how important it is to maintain accurate records of the money flowing into and out of an organization. Maintain a class discussion about the type of information that any business would need in order to make intelligent decisions regarding the handling of its money. Use the questions in the introductory chapter of the textbook for further discussion and practice. |
| 1.2 describe and use the basic accounting principles of starting an accounting system | Illustrate the calculation of the net financial worth of an individual by using the following example<br><br>Financial Worth of a High School Student<br><br>Money in pocket $ 7.23<br>Cash in bank 235.00<br>Clothes 450.00<br>CD player 350.00<br>CD collection 170.00<br>Sailboard 1350.00<br>$2562.23 |

| UNIT 1: BASIC CONCEPTS (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Use the same example to introduce the idea of deducting what the student owes to accurately determine the financial net worth.<br>Example: The student in the above exercise still owes $800.00 on his sailboard. To calculate his net financial worth we must subtract what he owes from what he owns<br><br>OWNS - OWES = NET FINANCIAL WORTH OF AN INDIVIDUAL<br><br>The textbook may contain case studies or questions that could be used to reinforce this concept (Transparency Master 1). |
| 2.0 **Accounting Equation**<br><br>Students should be able to<br><br>2.1 classify assets, liabilities and owner's equity | The above basic accounting equation may be used to discuss the terms assets (what an organization owns), liabilities (what an organization owes) and owner's equity (financial worth of the organization). Formulate the Fundamental Accounting Equation<br><br>ASSETS = LIABILITIES + OWNER'S EQUITY |
| 2.2 classify as an asset or a liability each item from a random list of assets and liabilities | A variety of methods, such as flashcards, board work, write-on slides, etc., may be used to drill the students on the classification of assets and liabilities (Transparency Master 2). |

| UNIT 1: BASIC CONCEPTS (CONT.) | |
|---|---|
| **OBJECTIVES** | **METHODS** |
| 2.3 calculate the total assets and the total liabilities | Use teacher-generated examples to illustrate the calculation of total assets and total liabilities. Students should calculate each from other teacher-generated or textbook questions. |
| 2.4 determine the owner's equity | |
| 2.5 determine, when given two elements, the missing element in the fundamental accounting equation | Have the student determine which element is missing from the accounting equation using textbook- or teacher-generated questions. Also have the student calculate the value of the missing element when given values for the other two elements (Transparency Master 3). |
| 3.0 **Financial Statements**<br><br>Students should be able to | |
| 3.1 construct balance sheets for small businesses | Explain the importance of preparing beginning balance sheets for all businesses. Use the textbook to illustrate the balance sheet (Transparency Master 4).<br><br>The ledger of T-account balance sheet should be used at this stage. Demonstrate in a step-by-step method how to prepare a balance sheet. Emphasize that the ledger form of balance sheet has a left side and a right side which correspond to the accounting equation (A = L + OE) and that these two sides must be equal, thus the name balance sheet. |

| UNIT 1: BASIC CONCEPTS (CONT.) | |
|---|---|
| OBJECTIVES | METHOD |
| 3.2 interpret and analyze simple balance sheets from given data and management cases | Illustrate, using an example from the text, how each balance sheet is analyzed using the simple questions<br>WHO — What is the name of the company?<br>WHAT — What is the name of the form?<br>WHEN — What is the date of the balance sheet?<br>Also have students identify the BODY of the balance sheet and the totals of the assets, liabilities, and owner's equity. |
| 3.3 identify, analyze and record increases and decreases in the fundamental elements (assets, liabilities, owner's equity and expenses) resulting from business transactions | Using the fundamental accounting equation and the balance sheet, illustrate how the assets, liabilities, and owner's equity are increased or decreased when they are debited or credited. A simple chart can be used to illustrate these concepts<br><br>DR \| CR<br>Assets + \| Assets -<br>Liabilities - \| Liabilities +<br>Owner's Equity - \| OE +<br><br>Prepare a transparency of the Basic Principles of Debit and Credit and use it in the discussion of these principles (Transparency Master 5). |

| UNIT 1: BASIC CONCEPTS (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 3.4 summarize the results of changes to the fundamental elements by preparing balance sheets and income statements | Have students prepare balance sheets in correct format using the textbook examples. |
| 4.0 **General Ledger Accounts**<br><br>Students should be able to | |
| 4.1 explain the need for and the purpose of ledger accounts | Explain why ledger accounts lead to a more efficient method of handling transactions. Illustrate what ledger accounts look like and how transactions are recorded in them by using the ledger accounts transparency or a teacher-generated illustration (Transparency Master 6). |
| 4.2 explain the relationship of each ledger account to the accounting equation | Illustrate this concept further by giving the students simplified examples to analyze. They should be able to identify which accounts are involved and, using the principles of credit and debit, analyze how they will be affected by each transaction. |
| 4.3 apply the principles of debit and credit to the balance sheet accounts | |

| UNIT 1: BASIC CONCEPTS (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 4.4 use T-accounts to show increases and decreases in asset, liability and owner's equity accounts | Illustrate the concepts and procedures of recording changes in asset, liability, and owner's equity accounts by using simulated account forms called T-accounts. Demonstrate the use of the T-accounts using the chalkboard or transparencies (Transparency Masters 7-10). |
| 4.5 apply the principles of debit and credit to the income statement accounts | Have students analyze transactions and identify the accounts to be debited and credited. Apply the principles of debit and credit to the income statement accounts. |
| 4.6 use T-accounts to show increases and decreases in revenue and expense accounts | Perform a similar demonstration for the revenue and expense accounts and have students do examples and questions from the text (Transparency Masters 11 and 12). |

| UNIT 1: BASIC CONCEPTS (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 5.0 **Generally Accepted Accounting Principles**<br><br>Students should be able to<br><br>5.1 define what is meant by GAAPs<br><br>5.2 explain the revenue recognition GAAP<br><br>5.3 explain the expense recognition GAAP<br><br>5.4 explain the matching GAAP | Explain the need for GAAPs. Have students write the definitions for each of the GAAPs. Use questions from the textbook or workbook to further illustrate the GAAPs and their place in accounting.<br><br>See Appendix I for a complete listing of the GAAPs and their definitions. |

NOTE: For the purpose of simplicity, the concept of the GST will be introduced under merchandise accounting. Teachers interested in teaching the GST at this point may refer to Appendix II.

UNIT 2: THE CYCLE

**GOAL:** To have students complete the accounting cycle.

| OBJECTIVES | METHODS |
|---|---|
| 1.0 **Source Documents**<br><br>Students should be able to | |
| 1.1 explain the importance of and the need for source documents | Illustrate the importance of source documents by explaining the function of each<br><br>• To initiate the accounting cycle<br>• To provide the accountant with information needed for making accounting entries<br>• To act as a basic proof if records are questioned<br>• To provide additional information not recorded in accounting records. |
| 1.2 identify source documents | Illustrate the current types of source documents by using visual aids such as overhead transparencies, actual source documents or textbook examples. |
| 1.3 prepare source documents | Prepare cheques and receipts and have students do the same. |
| 1.4 use calculators to check the mathematical accuracy of source documents | Have students check the accuracy of several examples of source documents. Emphasize the importance of this procedure. |
| 1.5 analyze the debit and credit parts of business transactions from given source documents | Using several examples of source documents, have students analyze the documents in terms of accounts to be debited and credited. |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| **2.0 Journal Entries**<br><br>Students should be able to | |
| 2.1 explain the need for and the importance of a journal | Use the following as some of the key points that should be stressed when explaining the importance of the journal<br><br>• The need for chronological recording of business transactions to present the daily history of the business<br>• The need for more complete information<br>• The need for an effective means of locating errors<br>• The need for a system of providing evidence of the transactions if source documents are lost |
| 2.2 record journal entries resulting from business transactions | Discuss the relationship between source documents and journal entries.<br><br>Use familiar transactions from problems completed in the previous sections.<br><br>Explain the journal entry in terms of changes in the accounting equation and the ledger. Have students analyze several transactions. Use of an analysis sheet such as the one found in Transparency Master 13 might prove useful before the students record the journal entry. Provide several examples of journal entries either on the chalkboard or the overhead for illustrative purposes. |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Emphasize in these examples that the journal entry is very important. Stress the sequence of recording the entries. A list of procedures and sequence such as the one that follows may be used<br><br>• Note the date of the source document<br>• Record debit account title at the date margin<br>• Record the amount in the debit column (left column)<br>• Record credit account title a half inch from the date margin<br>• Record the amount in the credit column (right column)<br>• Record the explanation of the transaction<br><br>Students will learn this concept only through practice. It is recommended that several questions from the textbook be used to develop and reinforce journalizing skills. |
| 2.3 follow appropriate checking and correcting procedures for preparing accounting proofs to the journal | Use a calculator to check the accuracy of the equality of the debit and credit columns in the general journal. |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| **OBJECTIVES** | **METHODS** |
| **3.0 Ledger**<br><br>Students should be able to | |
| 3.1 explain the need for and the importance of the ledger | The purposes of the ledger could be discussed using the following<br><br>• To sort the journal entries into accounts<br>• To summarize the effect of transactions on accounts<br>• To show in one place the total amount of each account<br>• To supply account balances to prepare an up-to-date balance sheet and income statement |
| 3.2 prepare a chart of accounts | Explain that the chart of accounts outlines the order of the accounts in the ledger. This procedure makes it easy to locate on the financial reports and also serves as a guide in journalizing by identifying the account titles to be used when recording transactions.<br><br>CHART OF ACCOUNTS<br><br>Assets 101-199<br>Liabilities 201-299<br>Owner's Equity 301-399<br>Revenue 401-499<br>Expenses 501-599 |
| 3.3 state the purpose of each ledger account | Discuss and give an example for each type of ledger account. |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 3.4 post journal entries to the appropriate ledger accounts with cross references for each entry | Demonstrate the posting procedure using the chalkboard and/or overhead projector. Be sure to stress neat and accurate work. A list of posting procedures could be prepared or dictated to assist students in their work<br><br>• Locate the ledger account for the first debit in the journal entry<br>• Enter the date of the journal entry in the Date column on the debit side of the ledger<br>• Enter an explanation, if needed, for the entry<br>• Enter the journal initial and the page number in the Post Reference column<br>• Enter the debit amount in the Debit money column<br>• Calculate the balance of each ledger account after an entry is posted<br>• Enter the account number in the Post Reference column of the journal to show that the information has been posted<br>• Locate the ledger account for the next entry. If the next entry is a credit, apply the procedure on the credit side of the account<br><br>Demonstrate the steps in balancing each account (foot debit column, foot credit column, subtract the smaller column from the larger) using the same examples. Have students work the textbook questions dealing with this procedure. |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| **OBJECTIVES** | **METHODS** |
| 3.5 follow appropriate checking and correcting procedures for preparing accounting proofs for a ledger account balance | Use calculators to check the mathematical accuracy and record the balance of each account on the side of origin — the same side as that on which it shows in the accounting equation<br><br>Assets = DR balance<br>Liabilities = CR balance<br>Owner's Equity = CR balance<br>Revenue = CR balance<br>Expense = DR balance |
| 4.0 **Trial Balance**<br><br>Students should be able to | |
| 4.1 explain the need for and the importance of the trial balance | Discuss the purposes of the trial balance<br><br>• To prove that the ledger is in balance<br>• It serves as a step to finding the profit or loss of the business<br><br>Emphasize that each entry of the trial balance is a double entry containing one or more debits and credits and that in the end, the total debits and the total credits should be equal if all of the journalizing was done correctly. |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 4.2 prepare a trial balance | Demonstrate the preparation of a trial balance using a teacher-prepared example. As you work through the example, have students write the basic steps for preparing a trial balance<br><br>• Write the heading<br>• Enter each ledger account in the trial balance<br>• Rule a single line across both columns (signifying that all amounts above the line are to be totalled)<br>• Add each amount column<br>• Rule a double line across the amount columns (signifying that the work above the double line is complete and correct)<br><br>Emphasize that even though the trial balance does balance, this is only a proof of the debits and credits — not of the accounting soundness of the entries.<br><br>Have students work on the questions in the textbook that deal with the trial balance. |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 4.3 follow appropriate procedures for locating and correcting errors in the trial balance | Discuss the types of errors that are commonly made when preparing trial balances. Explain how these errors can be located and corrected. A chart of sources of posting errors and a chart of methods of location and correction of errors may be used to assist students.<br><br>Sources of posting errors<br><br>• Entire transaction not posted<br>• Either the debit or credit part of a transaction not posted<br>• Posting to the correct side but to the wrong account<br>• Calculating balance incorrectly<br>• Transposing figures |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Location and correction of errors<br><br>• Re-add both sides of the trial balance<br>• Find the difference between the totals of the trial balance columns. Check in the ledger to determine if the amount of the difference is an account balance omitted from the trial balance<br>• Divide the amount of the difference between the two totals of the trial balance by two. Check the accounts to see if the amount has been recorded on the wrong side<br>• Divide the amount of the difference between the two totals of the trial balance by nine. If the difference is divisible by nine, check for transposition of numbers<br>• Compare the balances on the trial balance with balances in ledger accounts<br>• Check the pencil footings and the account balance in the ledger<br>• Verify the posting of each item in the journal |
| 4.4 classify the types of accounts in the trial balance and name the normal side of each account balance | |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 5.0 **Worksheet**<br><br>Students should be able to | |
| 5.1 explain the need for and the purposes of a worksheet | Explain the functions that a worksheet serves in the preparation of the financial statements. Use the following as a guide<br><br>• A sorting device (convenient means of sorting accounts into different classifications; income statement columns and balance sheet columns)<br>• Calculating device (calculating net income or loss)<br>• Source of data for closing entries (when the temporary accounts are closed and their balances transferred to the summary account, the grouping of these accounts in the income statement columns of the worksheet help in the process)<br>• Device for making adjusting entries (this function will become more applicable when looking at a ten-column worksheet covered in the section dealing with completion of the accounting cycle) |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Explain and discuss the reasons for using the worksheet<br><br>• Aids in preparing the financial statement<br>• Provides for organization of accounting data<br>• Shows the total picture of accounting information<br><br>Emphasize the fact that the worksheet shows the whole picture in one place: trial balance, net income, data for the income statement, and data for the balance sheet. |
| 5.2 prepare a six-column worksheet | Develop the first worksheet through a step-by-step class presentation. Have students complete the same worksheet in their notebooks.<br><br>Emphasize that the worksheet is a working paper that may be prepared in pencil. Also emphasize the step-by-step approach in preparing the six-column worksheet. Use the following steps in worksheet preparation<br><br>• Write the main heading<br>• Record the trial balance<br>• Extend each item from the trial balance to the proper statement column<br>• Determine and record net income in the income statement debit column<br>• Record net income in the balance sheet credit column<br>• Rule double lines |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| **6.0 Financial Statements**<br><br>Students should be able to | |
| 6.1 explain the need for and the purpose of an income statement and a balance sheet | Discuss the overall purpose of financial statements<br><br>• Provision of financial information about the business to owners, management, creditors and government<br><br>Discuss the main purpose of each statement<br><br>**Income Statement** — to show operating results for a business over a period of time<br><br>**Balance Sheet** — to present the financial position of a business at a specific date. |
| 6.2 prepare income statements from information in six-column worksheets | Instruct the students to accordion-fold the worksheet between each pair of columns. This places the data in the income statement columns close to the account titles when preparing the income statement.<br><br>Develop the income statement through a step-by-step class presentation (Transparency Master 14).<br><br>Have students prepare the same income statement in their notebooks. |

| UNIT 2: THE CYCLE (CONT.) | | |
|---|---|---|
| OBJECTIVES | | METHODS |
| | | Emphasize that all the information needed to prepare the income statement is available from the two income statement columns on the worksheet. |
| 6.3 | prepare balance sheets in account and report forms from information in six-column worksheets | Demonstrate the preparation of a balance sheet using the above teaching method, introducing the report format.<br><br>Have students prepare the same balance sheet forms in their notebooks.<br><br>Be sure to emphasize that all of the required data is readily available from the worksheet in the two balance sheet columns. Emphasize also that methodical, accurate work is necessary to complete the financial statements in good form. |
| 6.4 | analyze the performance and financial position of businesses from income statements and balance sheets | Discuss the questions that are answered by financial statements<br><br>What does the business own?<br>What debts does the business owe?<br>Is net income increasing/decreasing?<br>Should selling prices be increased/decreased?<br>Should more money be invested in the business? |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 7.0 **Closing Accounts**<br><br>Students should be able to | |
| 7.1 explain the Cost GAAP | See Appendix I. |
| 7.2 explain and calculate what is meant as the cost of an asset | |
| 7.3 explain the need for and the purpose of closing the ledger | Have students refer to previously completed ledgers and balance sheets, prepared from the information in the ledger. Ask the students to compare the balance of the capital account in the general ledger with the reported final capital balance in the balance sheet and to note the difference between the recorded amounts.<br><br>The purpose of closing entries should be discussed<br><br>• To transfer the net income or the net loss for a period of time to the capital account so that the owner's equity is accurately reported and shown each fiscal period<br>• To assist in the preparation of the income statement |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | • To close all open accounts containing elements of revenue and expenses so that all such accounts are balanced, closed and "emptied" for the period for a fresh start in the subsequent accounting period<br><br>Explain how closing entries will update the balance of the capital account in the general ledger.<br><br>Emphasize the importance of preparing the ledger for the next accounting period by clearing the revenue accounts and the expense accounts of their balances. |
| 7.4 record closing entries in the journal | Provide students with a ledger that is ready to close.<br><br>Use a ledger prepared by students in working through the accounting cycle from opening entries to the preparation of financial statements.<br><br>Teach the meaning of "closed" account by demonstrating when an account is closed and how it is closed by preparing and posting a journal entry. |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Present the use of the new account, revenue and expense summary, showing how this account is used as a "clearing account" and how it summarizes the net income or net loss and thus allows only one net amount to be transferred to capital rather than all the individual balances in the revenue and the expense accounts. |
| 7.5 prepare journal entries to close revenue accounts | Have students follow the teacher's step-by-step demonstration to close the revenue accounts to the revenue and expense summary Account with a journal entry posted immediately.<br><br>Have students complete the same step-by-step work at their desks. |
| 7.6 prepare journal entries to close expense accounts | Have students work with the instructor step-by-step to close the expense accounts into the R & E summary account with the journal entries posted immediately. |
| 7.7 prepare journal entries to transfer net income or net loss to the capital account | Determine the net income or net loss in the R & E summary account. Close the R & E summary account to the capital account with the journal entry posted immediately. |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Demonstrate each of the steps in the closing procedure by showing the following<br><br>• The information for each closing entry being taken from the worksheet<br>• The closing entry being made in the journal<br>• The effect of posting the closing entries to the ledger accounts<br><br>Demonstrate, using a step-by-step procedure with student involvement, how each and all of the accounts will appear after closing. |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Emphasize that the major steps in preparing the closing entries are as follows<br><br>• Prepare a closing entry for all accounts with credit balances shown in the income statement credit amount column of the worksheet<br>• Prepare a closing entry for all accounts with debit balances shown in the income statement debit amount column of the worksheet<br>• Prepare a closing entry to record the net income (or net loss) in the capital account and to close the R & E summary account |
| 7.8 prepare a journal entry to transfer the drawing account to the capital account | Demonstrate using a step-by-step approach with student involvement. Transfer the drawing account to the capital account with the journal entry posted immediately. |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 7.9 post closing entries to the ledger accounts | Use a chart similar to the following to illustrate the steps used to close revenue and expense accounts<br><br>Revenue Accounts — Expense Accounts<br><br>Step 1 — Step 2<br><br>CR balances transferred to CR side of R & E Summary — DR balances transferred to DR side of R & E Summary<br><br>R & E Summary<br><br>Step 1 — Step 2<br><br>Balance of Expense Account — Balance of Revenue Accounts (Step 3) transfer to Capital<br><br>Capital Account Step 3<br>net profit |

| UNIT 2: THE CYCLE (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 7.10 prepare a post-closing trial balance | Discuss the purpose of a post-closing trial balance: to determine if the ledger is in balance before the recording of the transactions for the next fiscal period.<br><br>Use a step-by-step approach with student involvement, to prepare the post-closing trial balance. Point out that the accounts appearing on the post-closing trial balance are permanent accounts. Show that the accounts listed on the post-closing trial balance and their balances are the same as those appearing on the balance sheet. |

UNIT 3: CONTROLLING CASH

**GOAL:** To teach students the principles of cash receipts control.

| OBJECTIVES | METHODS |
|---|---|
| 1.0 **Cash Receipts**<br><br>Students should be able to | |
| 1.1 identify, explain and apply the accounting principles of cash receipts control, i.e., objectivity and revenue | Identify and explain the following need and purposes to control cash receipts<br><br>• To control theft, fraud and errors made by people within the business<br>• To provide a more efficient use of employee time<br><br>Emphasize and discuss the principles of internal control of cash receipts<br><br>• Deposit all cash daily<br>• Separate the tasks of recording and handling cash received<br>• Create serially numbered source documents for cash received<br>• Prepare a daily cash proof<br>• Use periodic audits<br>• Prepare bank reconciliation statements |
| 1.2 prepare daily cash proofs | Illustrate and emphasize the procedure for preparing daily cash proofs. |

| UNIT 3: CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 1.3 prepare a cash receipts journal (record from source documents, total and rule) | Illustrate and discuss the repetitive debit entries for a series of entries to Cash in the General journal. Call attention to the need to post the Cash entries several times from the general journal to the ledger.<br><br>Explain the need for a more efficient way to record cash receipts and to post the total cash received once at the end of the month.<br><br>List and explain the source documents for cash receipts: cash register tapes, sales slips, cheques, money orders.<br><br>Demonstrate, using the overhead or the chalkboard, how to journalize cash receipts in the cash receipts journal.<br><br>Emphasize these concepts<br><br>• The space saved by using a cash receipts journal (CRJ)<br>• The convenience provided by the rulings in the CRJ |

| UNIT 3: CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 1.4 post from the cash receipts journal | Demonstrate the procedure for totalling and ruling the CRJ.<br><br>Emphasize the importance of<br><br>• Totalling and checking the arithmetic accuracy of the single money column<br>• Retention of the double-entry system in the CRJ<br><br>**THE SINGLE TOTAL OF THE CASH, DEBIT, AGREES WITH THE TOTAL OF THE TOTAL OF THE INDIVIDUAL CREDIT ENTRIES.** |

| UNIT 3: CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 2.0 **Cash Payments**<br><br>Students should be able to | |
| 2.1 identify, explain and apply the accounting principles of cash disbursements (payments) control | Identify and explain the same needs and purposes listed to control cash receipts.<br><br>Stress the importance of the principles of internal control of cash payments<br><br>• Verify and approve all invoices for payments<br>• Make all payments of material amounts by cheque<br>• Use a petty cash fund<br>• Use only serially numbered cheques for full accountability<br>• Cancel all supporting documents paid by cash<br>• Divide the responsibility of handling cheques and for recording payments |
| 2.2 prepare daily proofs | • Prepare daily cash proofs of cash balance |

| UNIT 3: CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 2.3 prepare a cash payments journal (record from source documents, total and rule) | Illustrate and discuss the repetitive credit entries to Cash in the general journal.<br><br>Call attention to the need to post the Cash Credit entries several times from the general journal entries to the ledger.<br><br>Explain the need for a more efficient way to record cash payments and to post the total cash paid once at the end of the month.<br><br>Stress the following procedures<br><br>• Verifying and approving invoices<br>• Issuing cheques<br>• Cancelling bills paid<br>• Mailing signed cheques<br>• Preparing cheque records<br><br>Emphasize the following during the recording of cash payments<br><br>• Reason for disbursing cash<br>• Method of recording transactions for cheque stubs in cash payments journal<br><br>Prepare a cash payments journal on the chalkboard or on an overhead transparency.<br><br>Use a step-by-step approach during the recording of cash payments. |

| UNIT 3: CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 2.4 post from the cash payments journal | Stress and demonstrate a step-by-step procedure for<br><br>• Posting of debit entries<br>• Totalling and ruling amount column<br>• Posting total cash payments |

| UNIT 3: CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 3.0 **Petty Cash**<br><br>Students should be able to | |
| 3.1 explain the need for a petty cash fund and petty cash vouchers | Discuss the purposes of the petty cash fund<br><br>• To take care of small cash payments<br>• To avoid the time and the cost of making small payments by cheque<br><br>Discuss and explain the format and the purpose of petty cash vouchers. Show examples of petty cash vouchers. |
| 3.2 record the establishment of a petty cash fund | Emphasize the following<br><br>• The issuing of a cheque to establish the petty cash fund<br>• The recording of the amount of the petty cash fund in the petty cash book<br>• The purpose and/or use of a petty cash box or drawer<br><br>Use examples of pages from a petty cash book to illustrate this topic. |

| UNIT 3: CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 3.3 record the entries needed to maintain a petty cash book | Emphasize the following points<br><br>• Format of a typical petty cash book<br>• Format of a petty cash voucher<br>• Procedure for transferring information given on a voucher to the petty cash book<br><br>Use a step-by-step approach to illustrate how to enter information in the petty cash book. |
| 3.4 record the entry needed to replenish the fund | Emphasize the following<br><br>• The procedure for totalling and ruling the petty cash fund columns in the petty cash book to determine the cash paid out and the cash on hand<br>• Verification of the total of the cash on hand with the total of the cash column in the petty cash book<br>• Issuance of a cheque to replenish the petty cash fund to its original amount<br>• Recording the transaction of replenishing the petty cash fund in the appropriate journal and in the petty cash book |

| UNIT 3: CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 4.0 **Bank Reconciliation**<br><br>Students should be able to | |
| 4.1 explain the purposes of a bank reconciliation | Review and/or teach the procedure for opening accounts in banks or other financial institutions<br><br>• Preparation of deposits and deposit slips<br>• Processing of deposits by financial institutions<br>• Procedure for writing cheques and recording information on cheque stubs<br><br>Emphasize that a bank reconciliation is an integral part of any business's overall system for the effective control of cash.<br><br>Stress the importance of the cash control aspect as well as the method of preparing a bank reconciliation statement.<br><br>Discuss the principles of using chequing accounts as a part of any business's system for control of its asset, cash. |

| UNIT 3: CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | • The financial institution is a custodian of the funds of the business<br>• The funds of a business on deposit with a financial institution represent a debt (liability) owning by the financial institution to the business<br>• The debt on the records of the financial institution increases each time the business makes deposits and this debt decreases each time the business writes cheques on the financial institution<br>• The amount of indebtedness of the financial institution to the business appears as an asset reflected by the Cash account maintained in the records of the business<br>• Two independent records of Cash are kept to control it. Therefore, an identical figure for Cash should appear in both sets of books<br><br>Discuss the need to prepare a statement to correct any errors/discrepancies existing between the two sets of records.<br><br>Compare a copy of the financial institution's record (monthly statement) with the records of the business (the chequebook and the ledger account for Cash). |

| UNIT 3: CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 4.2 identify the sources of information required for the preparation of a bank reconciliation | Explain how to analyze a monthly bank statement and the forms enclosed with the statement.<br><br>Discuss the significance of outstanding cheques, cancelled cheques, deposits in transit, dishonoured cheques, bank memoranda, service charges, errors, and certified cheques.<br><br>Analyze a problem by checking and comparing a monthly bank statement against the information in the chequebook record for the business. Explain that this is a sorting process.<br><br>Emphasize the following<br><br>• The purpose and the format of a monthly bank statement<br>• The procedure of verifying the cash account balance with the chequebook balance<br>• The purpose of the bank reconciliation statement |
| 4.3 prepare a bank reconciliation | Use the standard reconciliation form found on the reverse side of bank statements or two-column journal paper. |

| UNIT 3: CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Demonstrate the preparation of the reconciliation statement.<br>Point out that the reconciliation statement must show a reconciliation of the cash balance: the adjusted bank balance must agree with the adjusted chequebook balance as at the date of reconciliation. |
| 5.0 **Cash Account and Cheque Book Adjustment**<br><br>Students should be able to<br><br>5.1 explain the need for entries to adjust the cash account and the cheque stub balance | Explain the purpose of the adjusting entries to be made following the completion of the reconciliation statement<br><br>• To bring the balance of the latest chequebook record into agreement with the adjusted cash balance on the reconciliation statement<br>• To update the cash account in the ledger by journalizing and posting the adjusting entries. |

| UNIT 3 CONTROLLING CASH (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 5.2 record the entries to adjust the cash account | Emphasize that the source of these entries is in the section of the reconciliation statement that reconciles the cash balance of the business and not of the bank. |
| 5.3 adjust/correct the cheque stub balance | Demonstrate the method of adjusting/correcting the chequebook (cheque stub balance). |

NOTE: See Appendix II for more information concerning taxes related to sales and purchases.

UNIT 4: MERCHANDISE ACCOUNTING

**GOAL:** To have students complete the accounting cycle of a merchandising business.

| OBJECTIVES | METHODS |
|---|---|
| 1.0 **Merchandising Business**<br><br>Students should be able to | |
| 1.1 define merchandising business | The definition of the term merchandising business is a business that buys and resells goods or one that buys finished goods and sells them at a profit. |
| 1.2 identify and explain how a merchandising business differs from a service business | The differentiation comes from the fact that<br><br>• A merchandising business obtains its revenue from selling goods<br>• A service business obtains its revenue from selling services |
| 1.3 identify the special accounts for a merchandising business | Identify and discuss the special accounts for merchandising businesses<br><br>• Inventory (Beginning)<br>• Purchases<br>• Transportation-In<br>• Purchases Returns and Allowances<br>• Purchases Discounts<br>• Inventory (Ending)<br><br>Explain the relationship of the special merchandising account by using a mathematical example. |

| UNIT 4: MERCHANDISE ACCOUNTING (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Prepare a diagram to illustrate the concept of cost of goods sold. Develop a poster/overhead transparency of the diagram. Use visual aids to explain the Cost of Goods concept (Transparency Master 15).<br><br>Identify and discuss the following special accounts: Sales, Sales Returns and Allowances, Sales Discounts. Explain the relationship of the above accounts by using a mathematical example and the following net sales equation<br><br>Sales - (Sales Returns and Allowances + Sales Discounts) = Net Sales (Transparency Masters 16 and 17). |

| UNIT 4: MERCHANDISE ACCOUNTING (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 1.4 identify the special journals for a merchandising business | Prepare a transparency to identify and discuss the special journals used by a typical merchandising firm.<br><br>Identify and discuss the basic principles involved with all special journals<br><br>• Types of special journals are determined by the scope and nature of the operations of a business enterprise<br>• Special journals are needed only for the types of transactions that occur frequently<br>• Each special journal is designed to record a series of similar types of transactions<br>• Special journals should be cost effective, resulting in a saving of time and space<br><br>Discuss the advantages of using special journals<br><br>• Permits better division of work<br>• Reduces the number of postings<br>• Reduces detail and amount of space required to record transactions<br>• Decreases opportunities for errors<br>• Makes it easier to analyze and retrieve data |

| UNIT 4: MERCHANDISE ACCOUNTING (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 2.0 **Sales Journal**<br><br>Students should be able to | |
| 2.1 identify the need for and the purpose of a sales journal | Discuss the need for a special journal to record credit sales of the invoices for each monthly accounting period. Demonstrate the repetitive nature of credit sales, especially for a merchandising business, to point out the advantages of using a special sales journal.<br><br>Definition: Sales journal is used to record credit sales (and cash sales) by designated categories, e.g., foods, dry goods, hardware. |
| 2.2 record the sales of merchandise in the sales journal | Point out that in accounting practice the sales journal may have many different forms and names.<br><br>The design of the sales journal acknowledges the specific type of revenue-making transactions (sales).<br><br>Discuss and analyze source documents — sales invoices.<br><br>Have students analyze the sales invoices in the form of a double entry.<br><br>Demonstrate the recording of entries in the sales journal and have students prepare the same entries. |

| UNIT 4: MERCHANDISE ACCOUNTING (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 2.3 total and rule the sales journal | Demonstrate, using a step-by-step approach, the totalling, ruling and cross-balancing of the sales journal and have students perform the same procedure.<br><br>Definition: Cross-balancing the sales journal page determines if the total of the debit columns equals the total of the credit columns. |
| 3.0 **Accounts Receivable Ledger** | |
| 3.1 identify the need for and the purpose of the accounts receivable ledger | Discuss the purposes of the accounts receivable ledger<br><br>• Contain customer's accounts<br>• Provide for division of labour<br>• Provide accounting control<br>• Prevent overcrowding of the general ledger |
| 3.2 open an accounts receivable ledger | Demonstrate the opening of the accounts in the accounts receivable ledger and have students perform the same procedure.<br><br>Emphasize the following<br><br>• The logical order of customers in the accounts receivable ledger<br>• Special information about customers (names and addresses, credit limits) |

| UNIT 4: MERCHANDISE ACCOUNTING (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 3.3 post from the sales journal | Discuss and explain information about postings<br><br>• Posting as a controlling function<br>• Posting daily to the accounts receivable ledger because of need for current balances<br>• Posting monthly to the accounts receivable account in the general ledger when results of business operation are determined and financial statements are prepared<br><br>Demonstrate and have students post from the sales journal. |
| 3.4 identify the need for credit memoranda | Explain the need for and the purpose of credit memoranda. Show examples of credit memoranda.<br><br>**Definition:** Credit memorandum is a special statement granting a reduction in the invoice price of damaged/ returned goods or shortage of goods.<br><br>Analyze the credit memorandum. |
| 3.5 record the sales returns and allowances | Record the sales returns and allowances in the appropriate journal according to your particular text.<br><br>Discuss and have students demonstrate the debit and credit entries. |

| UNIT 4: MERCHANDISE ACCOUNTING (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 3.6 post sales returns and allowances | Demonstrate the posting procedure.<br><br>Emphasize that there is a double posting<br><br>• To the controlling Accounts Receivable account in the general ledger<br>• To the individual customer's account in the accounts receivable ledger |
| 4.0 **Purchases Journal**<br><br>Students should be able to | |
| 4.1 identify the need for and the purpose of a purchases journal | Discuss the need for a special journal to record credit purchases. Have students identify, from examples, the need for a purchases journal to list chronologically all credit purchases. Demonstrate the repetitive nature of credit purchases, especially for a merchandising business, to point out the advantages of using a special purchases journal. |

| UNIT 4: MERCHANDISE ACCOUNTING (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Explain that in accounting practice the purchases journal may have many different forms and names. The design of the purchases journal is dependant upon the types of purchase transactions. The teacher may also introduce the multi-column purchases journal for all purchases on credit.<br><br>Demonstrate and have students prepare the recording of entries in the purchases journal. |
| 4.2 total and rule the purchases journal | Demonstrate, using a step-by-step approach, the totalling and ruling of the purchases journal and have students perform the same procedure.<br><br>Explain and demonstrate the procedure for cross-balancing the purchases journal. Discuss the importance of obtaining a cross-balance before the totals are posted to the general ledger.<br><br>Cross-balancing a journal page determines if the total of the debit columns equals the total of the credit columns. |

| UNIT 4: MERCHANDISE ACCOUNTING (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 5.0 **Accounts Payable**<br><br>Students should be able to | |
| 5.1 identify the need for an accounts payable ledger | Discuss the purposes of the accounts payable ledger.<br><br>• Contains creditor's accounts<br>• Provides for division of labour<br>• Provides for accounting control<br>• Prevents overcrowding of the general ledger<br>• Provides information pertinent to rotating the schedule of payments |
| 5.2 open an accounts payable ledger | Demonstrate the opening of an accounts payable ledger. Have students perform the same procedure.<br><br>**Emphasize**<br><br>• The alphabetical order of creditors in the accounts payable ledger<br>• The special information about creditors |
| 5.3 post from the purchases journal | Emphasize posting as a controlling function: posting daily to the accounts payable ledger because of the need for current balances and posting monthly to the accounts payable control account in the general ledger when results of business operations are determined and financial statements are prepared.<br><br>Demonstrate and have students post from the purchases journal. |

| UNIT 4: MERCHANDISE ACCOUNTING (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 5.4 record and post transportation-in costs | Discuss the relationship of transportation-in costs to the cost of merchandise. Emphasize that the transportation-in costs must be added to the purchase cost to obtain the cost of goods delivered.<br><br>Demonstrate the recording of transportation-in the appropriate journal and have students perform the same procedure.<br><br>Discuss and demonstrate the posting of transportation-in costs to the general ledger and to the accounts payable ledger and have students perform the same procedure. |
| 5.5 identify the need for a debit memo | Discuss the source document, debit memorandum, for purchases returns and allowances. |
| 5.6 record purchases returns and allowances | |
| 5.7 post purchases returns and allowances | Emphasize the posting to the Accounts Payable control account in the general ledger and to the individual creditor's account in the accounts payable ledger. |

UNIT 5: PAYROLL

**GOAL:** To have students record all the entries of payroll accounting.

| OBJECTIVES | METHODS |
|---|---|
| 1.0 **Payroll Accounting**<br><br>Students should be able to | |
| 1.1 explain the need for and the components of a payroll system | Explain the need to organize an efficient payroll accounting system to control various payroll systems and to maintain adequate payroll records as required by law.<br><br>Discuss the components of a payroll system<br><br>• Procedures for timekeeping and computing earnings<br>• Calculating deductions from gross earnings<br>• Recording the payroll<br>• Maintaining payroll records<br>• Disbursing payments to employees, governments and other agencies |
| 1.2 compute gross earnings | Discuss the responsibility of the employee to acquire a SIN and the responsibility of the employer to have the new employee complete a TD1 tax form. Explain that the TD1 form is an authorization form to deduct the correct rate of income tax.<br><br>Show examples of the related SIN and TD1 forms. |

| UNIT 5: PAYROLL (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Discuss how common salary/wage plans determine the gross earnings of employees. Discuss various types of salary/wage plans: hourly-rate plan, salary plan, commission plan, piece-rate plan and combination of plans.<br><br>Explain factors that affect the employee's hours of work and wages<br><br>• Contract of employment<br>• Agreement between an employer and a union (if applicable)<br>• Government legislation<br><br>Point out and discuss the reason for timekeeping. The record of hours worked may be in the form of a time card for employees paid by the hour and an attendance record for employees paid on a salary basis.<br><br>**Reason for Timekeeping:** Law requires an employer to keep a complete record of the hours worked by an employee.<br><br>Demonstrate the computation of gross earnings for various salary/wage plans and discuss the concept of gross earnings. |

| UNIT 5: PAYROLL (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 1.3 determine payroll deductions | Prepare the following priority schedule of payroll deductions for use in teaching payroll deductions<br><br>• Deductions required by law<br><br>— Unemployment Insurance (UIC)<br>— Canada Pension Plan (CPP)<br>— Federal and provincial income tax<br>— Garnishments and government demands on employee's earnings<br><br>• Deductions required by collective bargaining agreements<br><br>— other pension plans<br>— group life insurance<br>— Canada Savings Bonds<br>— savings in a credit union<br>— donations to community services<br>— safety clothing<br>— other<br><br>Tables for Unemployment Insurance and Canada Pension Plan contributions are supplied by Revenue Taxation. |

| UNIT 5: PAYROLL (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 1.4 calculate net pay | Have students calculate several examples of the employee's net pay.<br><br>The textbook that you are using should have problems that can be used for this purpose. |
| 1.5 identify the need for and the purpose of the payroll register | Explain the three steps in recording the payroll<br><br>• Preparation of payroll summary — payroll register<br>• Preparation of summary of details of each employee's earnings — employee's individual earnings record<br>• Journalizing and posting the payroll to update the general ledger accounts affected by the payroll |
| 1.6 prepare a payroll register | Explain the importance of the payroll register in preparing a summary of all the payroll data in one place.<br><br>Discuss the following facts<br><br>• Payroll registers are prepared for each payroll plan<br>• Payroll registers vary in format and design from company to company<br>• Content of a payroll register generally contains the names and identification numbers of employees, details of employee's gross earnings and deductions and calculations of employee's net pay |

| UNIT 5: PAYROLL (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| | Prepare a payroll register from given data.<br><br>Demonstrate and explain the procedure for proving the payroll register by adding and subtracting the appropriate totals across the register.<br><br>Explain that proving the payroll register before payment is made to employees and before journal entries are made to record the dollar amounts for each payroll is an important control measure. |
| 1.7 record the journal entries for the payroll information | Explain and demonstrate the procedure for using the payroll data from the proved payroll register to prepare a summary compound/combined journal entry (Transparency Master 18).<br><br>Emphasize the following<br><br>• Recording the payroll transaction in the general journal<br>• Posting from the general journal to the appropriate general ledger accounts |

| UNIT 5: PAYROLL (CONT.) | |
|---|---|
| OBJECTIVES | METHODS |
| 1.8 record the journal entries for the payment of the payroll to the employees | Discuss and demonstrate the entry in cash payments journal. |
| 1.9 record the journal entries for payments of amounts owed to other agencies | Discuss and demonstrate the entries in the cash payments journal. |

# ACCOUNTING APPENDIX

## APPENDIX I

**GAAPs: Generally Accepted Accounting Principles**

These GAAPs are presented together in this appendix. They should be introduced at appropriate times during the course.

- **The Business Entity Concept** — the accounting for a business should be kept separate from the owners of the business or from any other business. All transactions and financial statements must reflect the financial position of the business alone.

- **The Going Concern Concept** — the business in question is going to continue to operate until notice has been given to the contrary. This concept generally comes into consideration in the value of the assets.

- **The Principle of Conservation** — the onus is placed on the accountants of a business to be fair and just in their estimates of the value of assets.

- **The Objectivity Principle** — all accounting transactions must be based on facts. That is to say that if several people were looking at the same evidence, they would come to the same conclusion on how to deal with a particular transaction. In this regard, the use and dependence upon the source document has always been paramount.

- **The Time Period Concept** — businesses are required to use time periods known as fiscal periods to measure over time the progress of their businesses.

- **The Revenue Recognition Principle** — a business is required to recognize revenue as being earned at the time that a transaction occurs. For credit sales it is at the time the bill is sent to the customer and for cash sales it is at the time cash is received.

- **The Matching Principle** — each expense related to revenue earned must be recorded in the same period as the revenue that the expense helped to earn.

- **The Cost Principle** — assets must be recorded at the cost on the source document from the purchasing transaction and not the market value.

- **The Consistency Principle** – financial statements are prepared from year to year using the same methods. This gives the readers of the documents a clearer picture of how the company is doing. If the accountants wish to change the method of completing the financial statements, they must document reasons why and how the changes affect the statements.

- **The Materiality Principle** – all accounts must abide by the GAAPs unless the results of ignoring the rules is inconsequential in the income statement.

- **The Full Disclosure Principle** – all information pertaining to the company and its future should be included in the company's financial statements or notes to the financial statements. Examples of the kinds of information could include: lawsuits on the company, tax dispute and company takeovers.

## APPENDIX II

## THE GOODS AND SERVICES TAX (GST)

The accounting for the GST will become a more common practice for most businesses and accountants. The teacher may want to introduce the accounting for the GST in this section. The following is a simple example to help you to teach this process.

The GST is similar to the value added taxes paid in other countries. It follows a simple principle

**Total GST paid on purchases - Total GST collected on sales**

- if the difference is positive then the government refunds it to the business
- if the difference is negative then the business remits it to the government.

Example: Total GST paid on Purchases is $1200.

- if total GST collected on sales is $1000 then the government will refund $200
- if total GST collected on sales is $1400 then the business owes $200.

Thus it can be seen that the GST payable is a liability account to the government. It should be set up so that taxes paid as well as collected will be recorded in it.

Example: Purchase of $100, total cash outlay $107 (the GST is currently 7%).

| | | |
|---|---|---|
| Purchases | 100 | |
| GST payable | 7 | |
| Cash | | 107 |

This entry is a debit to GST payable. It should be noted that the GST paid is not an added cost to the purchase as opposed to transportation-in or freight.

Now if the company sells those goods for $200 the transaction would be recorded as

| | | |
|---|---|---|
| Cash | 214 | |
| Sales | | 200 |
| GST payable | | 14 |

The transaction would be represented in a T-account as follows

GST payable

| | |
|---|---|
| on purchase 7 | on sale 14 |
| | Balance 7 |

If these were the only two transactions during the reporting cycle, then the business would fill out the appropriate government reports and send in the $7 owing in the GL account GST payable and record the payment with the following entry

| | | |
|---|---|---|
| GST payable | 7 | |
| Cash | | 7 |

If the balance was on the debit side of the T-account then the report would be filled and the company would fill in the government report and the government would then send a refund back to the business.

For more information concerning the accounting for the GST, please contact REVENUE CANADA — CUSTOMS AND EXCISE OFFICE.

# BIBLIOGRAPHY

**Note:** Refer to the current Manitoba Textbook Bureau Catalogue for additional texts and resources.

## TEXTS


Cougler. **A Systems Approach**. John Wiley and Sons Canada Ltd., 1992.
Working Papers.
Teacher's Resource Package and Data Disk.

Cougler. **Introductory Accounting**. John Wiley and Sons Canada Ltd., 1990.
Student Workbook with Working Papers.
Teacher's Manual.

D'Amico and Magnan. **Accounting — An Introduction**. Copp Clark Pitman Ltd., 1991.
Working Papers.
Answer Key.
Teacher's Manual.

D'Amico and Palmer. **Principles of Accounting**. Copp Clark Pitman Ltd., 1987.
Study Guide and Working Papers 1, 2.
Teacher's Edition.
Teacher's Manual.

D'Amico and Wilson. **Applied Accounting**. Copp Clark Pitman Ltd., 1982.
Study Guide.
Teacher's Manual.

Dauderes. **Financial Accounting — An Introduction to Decision Making**. HBJ-Holt Canada, 1987.
Study Guide.
Solutions. Manual.
Instructor's Resource Manual.

Gibson. **Accounting Principles — A Skill Building Approach**. John Wiley and Sons Canada Ltd., 1992.
Student Workbooks 1 and 2.
Teacher's Resource Package and Data Disk.

Kaluza. **Accounting: A Systems Approach**. Second edition. McGraw-Hill Ryerson, 1985.
Teacher's Manual, Parts 1 and 2.
Working Papers, 1, 2 and 3.
Accounting Projects and Simulations.
Key to Projects and Simulations.
Visicalc Problem Supplement.

Kaluza, et al. **Accounting: A Systems Approach**. Third edition. McGraw-Hill Ryerson, 1991.
Teacher's Resource Book and Key.
Study Guide and Working Papers 1, 2 and 3.

King. **Building Bookkeeping Skills**. Second edition. Copp Clark Pitman Ltd., 1986.
Working Papers.
Instructor's Manual.

King, R. L. **Timson Rugs — An Accounting Simulation**. Second edition. Copp Clark Pitman Ltd., 1988.
Instructor's Guide.

Schafer, et al. **Century 21 Accounting: Introductory Course**. Third Canadian edition. Nelson Canada Ltd., 1991.
Teacher's Manual.
Working Papers in two parts.
Teacher's Edition.

Syme, G. E. and Ireland. **Accounting**. Prentice-Hall Canada Inc., 1990.
Workbooks A and B.
Teacher's Key A and B.
Teacher's Guide.

Syme, G. E. **Accounting 1**. Fourth edition. Prentice-Hall Canada Inc., 1988.
Workbook.
Teacher's Guide.
Teacher's Key A and B.

Kaluza. **Elements of Accounting: A Senior Course**. Second edition. McGraw-Hill Ryerson, 1979.

Kaluza. **Elements of Accounting: A Senior Course**. Third edition. McGraw-Hill Ryerson, 1989.
Working Papers 1, 2 and 3.
Teacher's Manual.

Landry, et al. **Century 21 Accounting, Advanced Course**. First Canadian edition.
Nelson Canada Ltd., 1979.
Teacher's Reference Guide.
Workbooks 1 and 2.
Teacher's Edition, Combined Workbooks 1 and 2.

Landry, et al. **Century 21 Accounting, Advanced Course**. Second Canadian edition.
Nelson Canada Ltd., 1992.
Workbooks 1 and 2.
Teacher's Key 1 and 2.
Teacher's Resource Manual and Diskettes.

## RESOURCE

For current materials that can be used in the business education classroom, obtain a membership ($20 fee) in the

Canadian Foundation for Economic Education
2 St. Clair Ave. West, Suite 501
Toronto, ON M4V IL5